

BUDGET LETTER

SUBJECT: 2012-13 GENERAL ADMINISTRATIVE COSTS AND 2012-13 STATEWIDE COST ALLOCATION PLAN	NUMBER: 11-31
REFERENCES: GOVERNMENT CODE SECTIONS 11270 – 11277, 13332.01 – 13332.03, 22883; STATE ADMINISTRATIVE MANUAL SECTIONS 8752 – 8758, CONTROL SECTION 8.54, BUDGET ACT OF 2011	DATE ISSUED: October 5, 2011
	SUPERSEDES: BL 10-27

TO: Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Deadlines and Deliverables

October 12, 2011	Departments submit certified General Administrative Cost (Pro Rata) assessment sheets and Statewide Cost Allocation Plan (SWCAP) apportionment sheets to their Department of Finance (Finance) budget analysts.
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I. General Administrative Costs

Pro Rata represent recoveries from special funds for statewide general administrative costs incurred by Central Service Agencies (CSA), e.g., Department of Finance (Finance), State Controller's Office (SCO), State Treasurer's Office, and the Legislature.

These recoveries are required by Government Code (GC) sections 11270 to 11277 and 22883. The costs for each central service are apportioned to all state departments and then allocated to each department's funding source(s). Funds that are classified as "billable" (i.e., funded by special revenue sources such as fees, licenses, penalties, assessments, etc.) reimburse the General Fund and the Central Service Cost Recovery Fund for Pro Rata costs via quarterly transfers made by the SCO. The total billable and nonbillable allocation is used as the statewide indirect cost component of a department's rate structure when billing non-federal clients.

The Fiscal Systems and Consulting Unit (FSCU) calculates the Pro Rata assessments against billable funds. In early October, the 2012-13 Pro Rata assessments, which are on green sheets, will be provided to Finance budget analysts, who will complete all required information, including the "Adjusted Assessment" column, if applicable, and will forward the completed sheets to the departments for certification. A sample of the Pro Rata assessment sheet is provided in Attachment I. Departments must set aside the assessment amounts in the fund condition statements and workload budget for the specified fund(s). In addition, the assessment amounts must be reflected in the Supplementary Schedule of Operating Expenses and Equipment (DF 300) on a separate line using the Uniform Codes Manual (UCM) object code 330438. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF 300 accurately reflects the Pro Rata assessments. The reports reflecting the apportioned costs for 2012-13 are available at:

http://www.dof.ca.gov/FISA/PROSWCAP/prorata_detail_reports.htm.

Departments must sign the Pro Rata assessment sheet to certify that the assessment amounts have been set aside in the fund condition statement(s) for the specified fund(s), if applicable, and included in the proposed appropriation amount(s). Departments must then return the sheet to their Finance budget analysts no later than October 12, 2011.

II. Statewide Cost Allocation Plan

SWCAP represents recoveries from federal funds for statewide general administrative costs incurred by CSAs. These recoveries are required by GC sections 13332.01, 13332.02, and 22883. SWCAP includes only those central service costs which are allowable for federal reimbursement purposes. The costs of each central service are apportioned to state departments. Unless prohibited by the federal government, each department that receives federal funds must recover their SWCAP costs and request the SCO to transfer the recoveries to the General Fund within 30 days after the end of each quarter. To transfer the SWCAP recoveries, departments must complete a Transaction Request (TR), form CA 504 and submit to the SCO for processing. On the TR, departments must identify the SWCAP amount to be transferred by quarter and fiscal year. The TR is submitted to the SCO and a copy is sent to Finance, FSCU and the department's Finance budget analyst, in accordance with State Administrative Manual section 8755.2.

If a department has not transferred federal funds to the General Fund on a timely basis, Finance has the authority to enforce recovery by reducing any state operations appropriation, not to exceed one percent, for departments that have not recovered statewide indirect costs from the federal government, pursuant to Control Section 8.54 of the 2011 Budget Act. These amounts shall be transferred to the General Fund and/or the Central Service Cost Recovery Fund. Departments are responsible for complying with federal and state requirements to ensure that SWCAP costs can be recovered from the federal government.

FSCU calculates the SWCAP apportionment and budgeted amounts. In early October, the 2012-13 SWCAP budgeted amounts, which are on pink sheets, will be provided to Finance budget analysts, who will complete and forward the sheets to the departments. A sample of the SWCAP apportionment sheet is provided in Attachment II. Departments must include the budgeted SWCAP amount from this sheet in their workload budgets. In addition, departments must reflect the budgeted SWCAP amount on the DF 300 on a separate line using UCM object code 330439. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF 300 accurately reflects the SWCAP apportionments. The reports reflecting the apportioned costs for 2012-13 are available at:
http://www.dof.ca.gov/FISA/PROSWCAP/swcap_detail_reports.htm.

Departments must sign the SWCAP apportionment sheet to certify that the budgeted SWCAP amount has been included in the budgeted federal receipts and that it is allowed under the specified federal programs. Departments must then return the sheet to their Finance budget analysts no later than October 12, 2011.

III. Indirect Cost Rate Proposals, Cost Allocation Plans, and Public Assistance Cost Allocation Plans

SAM section 8756.1 requires each department that receives federal funds to prepare an Indirect Cost Rate Proposal (ICRP), and/or Cost Allocation Plan (CAP) or Public Assistance Cost Allocation Plan (PACAP), unless exempted by Finance, FSCU. An ICRP, CAP, or PACAP establishes the basis for recovering full costs associated with programs or activities.

Departments must submit their ICRPs, and/or CAPs or PACAPs to Finance, FSCU for review and approval before sending to the federal cognizant agency for approval. ICRPs, CAPs, or PACAPs are

typically due to the federal cognizant agency at least six months before the start of the fiscal year to which they apply. At least three weeks should be allowed for FSCU's review. Generally, the federal agency from which a department receives the most funding is designated as the federal cognizant agency. ICRPs, CAPS, and PACAPs must be in compliance with the state's Full Cost Recovery policy, as defined in SAM section 8752.

IV. Full Cost Recovery

Departments must recover full costs whenever goods or services are provided for others. Full costs include department direct and indirect (overhead) costs and central service costs. Refer to SAM sections 8752 – 8758 for more information.

Additional information on Pro Rata, SWCAP, ICRPs, and other related items are available on our website at <http://www.dof.ca.gov/fisa/proswcap/proswcap.htm>. For Pro Rata assistance, please contact Andrew Erias at (916) 445-3434, extension 2138. For SWCAP assistance, please contact Natalie Villanueva at (916) 445-3434, extension 2139. For ICRP assistance please contact Hazel Miranda at (916) 445-3434, extension 2122 or e-mail any of the above contacts at fiproswp@dof.ca.gov.

/s/ Kevin Fujitani for

Veronica Chung-Ng
Program Budget Manager

Attachments